



KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)



CA. Kumar S Jigajinni
President, KSCAA

CA. Pramod Srihari
Secretary, KSCAA

Date: 15 December 2020

Smt. Nirmala Sitharaman
Hon'ble Minister of Finance
Government of India
15, Safdarjung Road
New Delhi - 110001

Hon'ble Madam,

Subject: Request to permit utilization of accumulated funds for purposes other than the purpose for which it is so accumulated under section 11(2) of the Income-tax Act, 1961

The Karnataka State Chartered Accountants Association (R) (in short 'KSCAA') is an association of Chartered Accountants, registered under the Karnataka Societies Registration Act, in 1957. KSCAA is primarily formed for the welfare of Chartered Accountants and represents before various regulatory authorities to resolve the professional concerns faced by Chartered Accountants and the business community

We have written to your good selves many times populating issues and possible solutions. We have also been proactively involved in suggesting means and practical methodologies on the adoption and implementation of the policies.

This letter is in the backdrop of the Pandemic which necessitates relaxations of the rigor of provisions of subsection (2),(3) and (3A) of section 11 of the Income-tax Act, 1961 ('the Act'), dealing with the accumulation of unutilized funds. Said amendments will also aid the socioeconomic, charitable, and religious activities including relief to the poor, education, medical relief, etc.,

We appreciate the Government's proactive efforts in extending various due dates under the Act, however, there are certain more compliance which are burdensome and redundant in nature



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which needs to be relaxed. Through this representation we wish to bring it to your attention, for extension of relief by relaxation of compliance required under section 11(3A) of the Act:

1. **Basis for seeking the relief**

1.1. **Work of Welfare State:**

Provisions of section 10(23), 11 to 13B of the Act are in the nature of Welfare Legislation, intended to encourage activity in the charitable and religious field. Various tax exemptions and beneficial provisions have been provided to institutions and entities undertaking operations of the Welfare State.

To serve the intent behind such provisions, it is implored to bring about necessary legislative amendments, as detailed below, to enable the assesseees to function smoothly in these pandemic times.

1.2. **Activities affected due to the pandemic:**

It is evident that the activities of the assesseees including educational, religious, and medical institutions are affected due to the pandemic. Many such originations that are dependent on the generous donations of the Citizens of the Country are left high and dry considering the severity of the cash crunch.

Most of the educational institutions are conducting classes through virtual means and the same has necessitated additional expense in IT infrastructure and a plunge in the collection of the fee.

1.3. **Severity of cash crunch and unjust tax collection on account of the impossibility of performance during pandemic times:**

There is no doubt that this pandemic has led to a cash crunch. These organizations are finding it difficult to even meet the day to day expenses. Funds



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which are required to be accumulated under the provisions of section 11(2) of the Act for specified purposes can be better employed for the day to day functioning and to ensure very survival in these tough times. It is also relevant to note that such an application for a purpose other than the specified purpose will also meet the requirement of encouragement of such charitable and religious organizations as it will ensure their survival.

The collection of taxes for this technical failure is fruitless, the damage it would cause is severe than the benefit to the public coffers. Considering the financial stringency faced by an assessee and the balance of convenience, which is clearly in favor of the assessee, it is implored to grant the appropriate benefit to benefit.

1.4. **Protests by various groups for non-payment of salaries**

Kind attention is drawn to the following news reports:

- Services terminated 'illegally', private school teachers protest..Read more at: <https://timesofindia.indiatimes.com/city/delhi/services-terminated-illegally-pvt-school-teachers-protest/articleshow/77956016.cms>
- <https://timesofindia.indiatimes.com/city/bengaluru/karnataka-school-bus-drivers-to-protest-on-wednesday/articleshow/71698012.cms>
- <https://www.newindianexpress.com/cities/bengaluru/2020/aug/17/no-relief-offer-unaided-school-teachers-and-guest-lecturers-in-karnataka-to-stage-protest-on-august-19-2184379.html>

It is also evident from the various developments that various employees working in such organizations are protesting non-payment of salary as funds cannot be utilized for revenue purposes (other than specified purposes) considering the provisions of the Act including but not limited to section 11(2), (3) and (3A) of the Act. Even when it is become increasingly difficult to realize



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donations and other revenue receipts, these organizations are finding it difficult to utilize the funds which have been accumulated over the years under section 11(2) of the Act due to restrictions placed thereunder. Further, the compliance burden cast upon the assesseees under section 11(3A) of the Act is redundant, unnecessary, and leads to wasteful expenditure of national resources in these pandemic times. Times like these calls for the blanket benefit to all the assesseees as everybody is a party to these troubled times.

2. Our Representation / Prayers

Considering all the above difficulties, we are of the opinion that the assesseees be permitted to deploy the capital funds for revenue purposes. Rigors of provisions of section 11(2)/(3)/(3A) may be toned down to ensure that the benefit of accumulated funds is available to ensure the survival of these organizations.

We humbly request you to kindly consider our submissions.

Yours sincerely,

For Karnataka State Chartered Accountants Association ®

CA. Kumar S Jigajinni

President

CA. Pramod Srihari

Secretary

CA. Ganesh V Shandage

Chairman

Representation Committee

Cc to:

1. Hon. Shri Anurag Thakur, Minister of State, Finance
2. Shri P C Mody, Chairman, CBDT